

COMPREHENSIVE SPENDING REVIEW SUBMISSION: CHARTERED MANAGEMENT INSTITUTE (CMI)

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Building Back Better is impossible without good management and leadership

Executive Summary

Emerging from the pandemic, the Government has rightly signalled its intention to invest to build back better. Investment is critical to support the UK's economic recovery and tackle long standing productivity issues that have constrained growth and economic development.

We know that difficult decisions will need to be made at the Comprehensive Spending Review (CSR), particularly on current spending.

Yet some areas classified principally as current spending - including resources for the development of the UK's human capital, and management and leadership capabilities in particular - must be regarded as essential spending if the Government is serious about levelling up all parts of the UK and building an economy that enables people and places to thrive.

A strong CSR for management and leadership would see the following three spending priorities achieved:

- Guarantee current expenditure on higher education.
- Ensure apprenticeships funding is protected - including at degree level.
- Embed good management by:
 - building management development into education, training, and business, innovation and sector policies in a systematic way
 - bolt on "core four" skills (communication, problem solving, team working and digital skills) for all Government training provision, and
 - a new requirement for Government procurement bids to demonstrate commitment to management and leadership development.

Why Continued Investment In Higher Level Skills Is So Important Right Now

It is right that the UK Government has taken steps to boost vocational and technical training in England through interventions in England, such as the Lifetime Skills Guarantee, T-levels and reforms to Further Education. These efforts have been mirrored in the Devolved Nations through programmes of various sizes through [Skills Development Scotland](#) and [Working Wales](#). The Northern Ireland Executive has recently

consulted on similar interventions in [Skills for a 10X Economy](#). This will help to address the significant adult retraining and lifelong learning challenge in the UK that the Chartered Management Institute identified in our [skills paper](#) last year.

However, this boost to vocational education and training has often been pitched against spending on higher level study. This is a mistake. We cannot choose either Further Education or HE - both must succeed for the UK to succeed.

Delivering a high quality and accessible HE system is vital if the UK is to become a high wage, highly productive economy. Yet Government spending on tertiary education in the UK remains well below that of our international competitors, at just 0.5% of GDP compared to the OECD average of 1%. Now is not the time to be cutting spending further.

The HE fee system operated in recent years has enabled universities to invest in the student experience and outreach work that widens participation and supports social mobility. This has helped to compensate for the reduction in direct Government funding for teaching which, [according to the House of Commons library](#) - in 2020-21 was 78% below the 2010-11 figure in real terms.

The focus on the £9,000 headline fee amount, however, hides - from the public - the significant and continued Government contribution to HE through the student loan system in the form of loans that will not be paid back (the RAB charge). As the Post-18 review of education and funding identifies, there is therefore a case for rebalancing HE funding in a way that supports a better public understanding of the level of Government investment in the system. But any rebalancing in funding must ensure that progress made in terms of quality and outreach are not compromised. As David Kernohan has highlighted in his [Wonkhe](#) piece analysing OfS and KPMG data in 2019: 'There is no data that suggests we can teach most students in any subject for £7,500 without a considerable loss of teaching quality or institutional viability.' The CSR must protect real terms spending on HE for the next three years if we are to avoid stifling efforts to level up the country.

At the same time, the Government has rightly recognised the need for continual learning and development through the Lifelong Loan Entitlement. But development of this is still very much underway. Any changes to HE funding should be consistent with funding terms and conditions adopted for the Lifelong Loan Entitlement to ensure that provision - and learners - do not fall through the gap and become unable to gain access to the skills development they - and the economy - need. Changes also need to take account of the increasingly important role of transferable employability skills. Forthcoming CMI research finds that nearly 80% of employers believe that current graduates do not arrive with the skills they need to be work-ready - in particular employers say more training is needed in communication, team working, problem solving, and self-management and adaptability, particularly in relation to an increasingly digital environment.¹

It is positive that the Government continues to champion apprenticeships for 'all ages and all levels' in recognition of the quality of apprenticeships, and the skills gaps that they address at all levels in a modern economy. Apprenticeships - including the unique British innovation of degree apprenticeships - are essential for boosting productivity [and to embed a culture of learning and development](#) within organisations. Systematic interventions such as these are needed to change the culture of employer spending on ongoing training. We must continue to champion them - and to back them with the funding required.

¹ CMI (2021) Work-ready graduates building employability skills for a hybrid world - due September.

CASE STUDY: Danielle Harris, Team Manager at Childline, NSPCC (Midlands)

Danielle looks after the NSPCC's Childline team in Birmingham. She manages the team's productivity and motivation, as well as focusing on the quality of services her team delivers.

To increase her knowledge and skills, Danielle recently completed her Level 5 Management Apprenticeship with a distinction.

The management qualification has given Danielle the skills and confidence to create structure and implement better communication within the team. This resulted in improvements to team morale and productivity. She has also introduced quality audits and a focus on reflective practice that improved supervision.

Recommendations for Government:

1. Guarantee current expenditure on higher education to maintain vital investment in higher level skills - in 2020/21 this was [£19.7bn](#) from Student Loans and OfS. This could be partly funded by recouping some of the money that is lost to loans not being repaid by reducing the repayment threshold to £19,390, which would [reduce](#) the loan write off (the RAB charge) from 54% to 33%.
2. Bring the implementation of the Lifelong Loan Entitlement forward to late 2022 to ensure a consistent and transparent approach to funding for higher level study and to accelerate access to level 4 and 5. We estimate this would cost £7bn.²
3. Ensure that apprenticeships funding is protected - including at degree-level - this means ringfencing [2021/22](#) funding of just under £2.3bn - and maintaining the apprenticeship levy.

Why Management & Leadership Is Central To Building Back Better

It has been well documented that a lack of management quality is a key driver of the UK's poor productivity, and that making small improvements in management practices can lead to a [significant increase in productivity](#). Indeed data from [ONS](#) shows that better managed firms fared better during Covid.

UK businesses, however, are at a considerable disadvantage when trying to build back better. This is because - as CMI's [joint research](#) with the Institute of Directors highlighted in January 2021 - there is a gap between the management skills needed by employers and the management capacity of the workforce.

The scale of the challenge is significant. Industrial Strategy Council analysis of the OECD Jobs for Skills database suggests that three of the top four largest skills shortages projected for the UK in 2030 are core management skills: leadership and managing others, critical thinking and decision-making, and advanced communication and negotiation. The Department for Education's (DfE) 2019 [Employer Skills Survey](#) also

² Calculated from LFS analysis of the working population aged 18 - 69 who do not have a degree level qualification in England between Jan - March 2021. Assumes a cohort of 750,000 each year over three years, based on a 10% take up by those eligible receiving a loan of £9,250.

demonstrates a dearth of management skills, with a lack of management and leadership skills reported by employers as a factor in 57% of skills gaps. The changing nature of the labour market also [means that demand for management and leadership skills is going to increase](#).

We therefore welcome targeted government spending on management and leadership, for example through Help to Grow: Management and Made Smarter.

Of course private sector investment in management and leadership development is essential. But there is a market failure here: without incentives, businesses simply do not spend money on management training. [FSB research in 2016](#), found that only 25% of SME owners had undertaken specific management training in the previous 12 months and about the same proportion had never undertaken any management training. More recent research from the Government's [2019 Longitudinal Small Business Survey](#) found that around 33% of SME employers had provided training for managers, but the vast majority of this training was for technical, practical or job-specific skills. Only 13% of SMEs offered training to develop management skills and capabilities, a figure that remains unchanged since 2017.³

Further research from the CBI's [Education and Skills Survey 2021](#) found that 41% of businesses expect the need for skills that are linked to good management and leadership practices to increase in the next five years. However, businesses are least confident about meeting these management-related skills needs (34%) compared with meeting other skills needs.

Good management and leadership will be essential to deliver the Government's growth plans - on infrastructure and transition to net zero, on levelling up, and on innovation. This is also critical to ensure that everyone, no matter what background, is able to achieve their potential in work.

Government spending helps to unlock private investment in training. For example, last year the Government's Ten Point Plan announced £12bn of public funding investment and an estimated £42bn of private investment by 2030 to create and support up to 250,000 green jobs to accelerate the path to net zero. To make the most of the opportunities presented by the shift to net zero, the Government also committed to skill up people for these new green jobs through the Lifetime Skills Guarantee. To build a more resilient, effective and efficient UK economy, the Government must build good management into education, training and industrial policy in a systematic way.

CASE STUDY: Mike Green, Managing Director, Red Systems (North West)

Mike left school at 16 and has gained lots of work experience, but no formal higher education. Working for large UK Construction companies he progressed to the role of Project Manager before setting up RED Systems in 2003.

RED Systems Ltd is a UK wide company that designs, supplies and installs a range of structural glazing, aluminium windows, doors, curtain walling and rooflight and atrium systems.

As a result of the Senior Leader apprenticeship and being able to identify and implement improvements, the company has seen a turnover rise to £11m and encouraged it to empower 7 members of staff to undertake professional education whilst fully employed.

³ Calculated from [UK Government data](#) using the proportion of SMEs offering training for managers in Management and Leadership in the UK and the number of SMEs in the UK .

Skills and Levelling Up

As the [Government's own data](#) finds, tackling skills shortages is vital to address regional disparities. For example, some LEPs across the country, including Leicester and Leicestershire, and Liverpool City Region, have the highest density skills gaps (workers lacking full proficiency) - of 6.1% and 5.9% respectively. This is almost twice the levels for London (3.6%).

Management and leadership skills are critical to helping businesses and public sector organisations in all places grow and thrive. It is not possible to level up all parts of the UK unless the Government maintains spending in areas that contribute to core management and leadership skills.

CASE STUDY: University of Portsmouth - Chartered Manager Degree Apprenticeship (South)

As part of the CMDA apprenticeship accredited by CMI, the University gave learners the opportunity to engage and apply their skills directly with SMEs owners. CMDA apprentice Daniella Voisey, New Business Development Manager, as part of a small team was assigned to devise business solutions for LIGA, a small business specialised in producing contemporary eco-friendly homeware accessories.

As a result of her participation in this project and the CMDA apprenticeship, Daniella's confidence has increased. She was able to use more tools to drive positive change and provide a practical framework to analyze and prescribe solutions.

Throughout this project LIGA experienced a period of strong growth. It expanded from a small online presence to an online shop and one bricks-and-mortar store. Also, LIGA grew from a couple of hundred stockists to just under 500 stockists, including John Lewis.

There is recognition of this importance across the UK with funding already committed for management and leadership development through - for example - the apprenticeship levy and National Skills Fund in England, the [Certificate of Work Readiness](#) programme in Scotland and the [Skills and Training Programmes](#) in Wales. However, this provision is limited and not joined up.

As our [2021 budget submission](#) highlighted, management and leadership skills are not a 'nice to have' - they are vital to the success of individuals and businesses across the UK, across all sectors and job roles, they widen the pool of jobs individuals can access and they enhance individuals' ability to progress within those roles.

Forthcoming CMI research highlights the impact of management and leadership on student outcomes: analysis of graduate earnings data finds nearly 2/3rds (64%) of graduates with CMI accredited degrees are employed in highly skilled roles 15 months after graduation compared to just over half (57%) of graduates with non accredited business degrees.⁴

This research also finds that almost all employers (97%) think that CMI's employability framework, which is underpinned by the [Professional Standards for Management and Leadership](#), would equip graduates with the skills to get on in the workplace. These skills are:

- Team-working
- Critical thinking and problem-solving

⁴ CMI research - analysis of Longitudinal Education Outcomes (LEO) data - August 2021.

- Communication
- Self management
- Flexibility and adaptability
- Initiative and self-direction
- Digital skills
- Resilience
- Emotional intelligence
- Innovation and creativity
- Entrepreneurial skills

As CMI's 2021 [research](#) with the Learning and Work Institute found management capability is also essential for social mobility: the role of the manager is critical for supporting low skilled workers - including young people - into work and to progress once there. For example, 82% of managers agreed that it would take longer for younger people to settle in the workplace if working remotely, whilst 76% agreed that remote working would mean that young people would not develop the critical workplace networks to help them in their job roles. These are key roles that are even more important for managers to play in supporting new entrants to the workplace.

The Social Mobility Commission reiterated in its [State of the Nation](#) 2021 that if employers want to build a culture of progression they need strong, visible commitment from senior leadership and view their workforce as a valuable asset, ensuring managers at all levels are offering training and holding regular career conversations.

Recommendations for Government:

4. Invest an additional £240m per annum over 5 years to ensure every course funded through the National Skills Fund includes a 'bolt on' of high-quality core skills training, including communication, problem solving, team working and digital skills provision. CMI estimates suggest an additional investment of around £240m per annum, would be required, funded through a combination of the National Skills Fund and employer contributions, but this would mean 180,000 adults per year in England can be trained in the core skills most valued by employers.⁵
5. Maintain spending on the Lifetime Skills Guarantee and increase eligibility to those who already hold a level 3 qualification but need to upskill or retrain. For 160,000 adults per year in England to be trained, this would require additional funding from the National Skills Fund of £210m.⁶ This could be targeted against the Government's industrial strategy priorities for infrastructure and net zero, as part of the Plan for Growth.
6. Ensure the Devolved Nations intensify their focus on management and leadership development by making a financial commitment to M&L development that is similar or greater to the commitment in England. On a pro rata basis, the UK Government will need to allocate £50m for the Devolved Nations to deliver access to the Lifetime Skills Guarantee and core skills bolt on.

⁵ Calculated from LFS analysis of the working population aged 18 - 69 who have a level 2 or no qualification in England between Jan - March 2021. Assumes a 10% take up of National Skills Fund across a 5 year period, based on an investment per course of £1,300. We have updated figures from earlier estimates which can be found [here](#).

⁶ Calculated from LFS analysis of the working population aged 18 - 69 who already have a level 3 qualification in England between Jan - March 2021. Assumes a 10% take up of Lifetime Skills Guarantee across a 5 year period, based on an investment per course of £1,300.

Infrastructure investment and transition to net zero

Infrastructure development is an important pillar of the Government's growth strategy including £600bn of gross public sector investment over the next five years. This is good news. But good management and leadership will be central to the success of this investment.

Managers and leaders will be needed to oversee the design, application, and effective operation of big infrastructure commitments such as HS2 and other transport upgrades, the rollout of electric vehicle charging infrastructure, and pathfinder projects such as the Trans-Pennine upgrade and New Hospital Programme. Government plans to create two million green jobs alone by 2030 for example, could require [a minimum of 130,000](#) new managers.

Good social and emotional skills will also be required to motivate workers and deliver good quality work. CMI's [Management Transformed](#) research found that communication and trust were vital management skills for delivering productive workplaces and wellbeing.

Recommendations for Government:

7. Government procurement for publicly-funded infrastructure and green projects should ensure all bids demonstrate their commitment to management and leadership investment as a condition for being awarded the contract. Government agencies should also require Tier 1 contractors to apply similar conditions to their subcontractors, in a proportionate way that protects access to government procurement opportunities for SMEs.

Innovation

To unleash innovation, firms need a productive business environment to scale up. [OECD](#) analysis shows that strong entrepreneurial and management skills are necessary for SMEs to grow and scale up. [ESRC research](#) highlights the need for management training to build the next generation of entrepreneurs in SMEs. However, SMEs are often [unaware they have a training need](#) and lack an awareness of the opportunities available in the current training system.

Latest data from [ONS](#) shows a positive relation between good management practices and innovation, including formal R&D. Data shows that across all industries, better-managed firms are significantly more likely to engage in R&D than their peers. Better-managed firms also see higher labour productivity per pound of R&D spending than comparable less-well-managed firms.

The Government's recent [Innovation Strategy](#) found that poor management and leadership skills hold back the R&D sector. We welcome the Government's intention for funders including UKRI to be urged to be explicit that leadership and management skills development costs can be claimed in applications for talent programmes and in grant holders' terms. This should be implemented urgently, and consideration made of how to signpost the R&D sector to high quality courses.

Recommendations for Government:

8. Work closely with a wide range of partners to ensure Help to Grow: Management delivers strong outcomes and long lasting development for the target 30,000 SMEs.
9. Ensure management development is one element of activity that can be funded through the Help to Grow: Digital programme.

10. Partner with CMI to promote high quality leadership training for the R&D sector, and explore piloting a Help to Grow-style programme focused on upskilling individuals involved with R&D.

Building Back Inclusively

Building back better means building back more equitable, more diverse and more inclusive. This is not only the right thing to do but it makes business sense:

- It increases the ability to attract and retain talent
- It enhances employee engagement, culture and trust
- It brings firms closer to customers and boosts brand
- It drives better innovative and team decisions, raises ethics and reduces business risk as a result of group-think
- It can [boost financial performance](#) and the UK's GDP.⁷

Pre-pandemic, the UK had been making progress on addressing inequalities in the workplace, but this progress has been slow overall and there is a real risk that the pandemic could exacerbate existing gender, ethnic and regional inequalities.

Our joint [long-read with the Work Foundation](#) found that more than half of managers (55%) believed that remote working would exacerbate existing workplace inequalities. This has clear implications for workplace inclusivity: as certain groups, particularly disabled workers, those with caring responsibilities and women are more likely to continue to take up remote working post-pandemic.

Good management and leadership is therefore central to making Equality, Diversity & Inclusion (EDI) a reality in the workplace. CMI's ['Moving the Dial on Race'](#) research found that managers felt able to take positive action with their direct reports and teams: 89% of managers had the confidence to call out microaggressions at work, and 85% said that they felt comfortable to talk about race with their team.

Our ['Management Transformed'](#) research highlighting the impact of the pandemic on managers and management, found that, as a whole, workplace culture had become more inclusive during the pandemic. However, [our research](#) has also shown an 'action gap' between the rhetoric and action of managers and leaders. For example, although 83% of managers said their senior leaders are active and vocal about promoting an inclusive culture in their workplaces, only 56% said their senior leaders have developed and implemented concrete action plans to improve race equality. All managers must therefore be given the support, knowledge and skills needed to facilitate positive discussions at all levels at EDI, to create more inclusive workplaces.

Government should focus on providing employers with a coherent offer of support and a commitment to continual improvement of management and leadership practice. Our [research](#) found that two thirds of managers report they have not received training on how to manage remote working staff.

We need a system that ensures managers and employers commit to their ongoing development to ensure they can deliver the best outcomes for their business and those they work with.

⁷ [BEIS](#) analysis cited in [The McGregor-Smith Review](#) (2017), p.2

Recommendations for Government:

11. Be fully transparent by committing to conduct and publish in one place equality impact assessments for all Covid-19 recovery programmes to get a full picture of the economic impact of the pandemic across different protected characteristics.
12. Work with other departments, such as the Government Equalities Office and Department for Business, Energy and Industrial Strategy, to fund research to improve our understanding of the impact of continued remote or hybrid working on groups with shared protected characteristics.
13. Make it a mandatory requirement for any organisation with more than 50 employees and a turnover over £10m that receives public funds in relation to the Plan for Growth, Skills for Jobs or any other recovery programme to measure and publish their gender pay gap, and also publish ethnicity and disability pay gaps.
14. Require that organisations with more than 50 employees and a turnover over £10m to produce an up to date EDI strategy and action plan as part of the application for public funds for the recovery programmes mentioned above.
15. Provide practical support and advice for organisations with related scaleable EDI training required for all managers, such as bitesize courses, which could be funded through the Apprenticeship Levy. If needed we would be able to support with management training.
16. Ensure that SMEs managers and leaders are trained on how to build and foster inclusive working environments through modules on EDI as part of Help to Grow: Management.

Conclusion

Overall, in this submission, we are urging the Government to prioritise investment in management and leadership skills through the Spending Review. This will be crucial to the UK's economic recovery post-pandemic and to ensure the Government can deliver on its Plan for Growth. Our main asks of Government are to:

- Guarantee current expenditure on higher education
- Ensure apprenticeships funding is protected - including at degree level.
- Embed good management by:
 - building management development into education, training, and business, innovation and sector policies in a systematic way
 - bolt on “core four” skills (communication, problem solving, team working and digital skills) for all Government training provision, and
 - a new requirement for Government procurement bids to demonstrate commitment to management and leadership development.

If you have any questions or wish to discuss our proposals further please do not hesitate to contact policy@managers.org.uk